

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00
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FM AMCONSUL KARACHI

TO SECSTATE WASHDC PRIORITY 4003

INFO AMEMBASSY ISLAMABAD

C O N F I D E N T I A L KARACHI 4365

EB/TCA/OA FOR ROBERTS

NEA/PAB FOR LUCIUS

EO 11652 GDS

TAGS: EAIR PK

SUBJ: PIA EXPANSION PLANS

1. ECONCOUNS KENNON(ISLAMABAD) AND CONSUL ROSSELOT TALKED TODAY WITH MR. JAMALL, MANAGING DIRECTOR PIA, ABOUT PIA'S INTENTIONS RE ACQUISITION OF A-300 AIRBUS VS. RECENTLY OFFERED BOEING PACKAGE OF ONE ADDITIONAL 747 AND FOUR 737'S. ACCORDING TO JAMALL, PIA HAD SIGNED AN OPTION TO PURCHASE FOUR A-300'S SUBJECT TO GOVERNMENT APPROVAL. OPTION ORIGINALLY EXPIRED AUGUST 27 BUT GOVERNMENT APPROVAL HAD NOT YET BEEN OBTAINED BY THAT TIME AND AIRBUS INDUSTRIE EXTENDED OPTION AT SAME PRICE UNTIL SEPTEMBER 10. THAT DATE ALSO SLIPPED BECAUSE BOTH FINANCE MINISTER AND FINANCE SECRETARY (ONE OF WHOM MUST SIGN FOR GOVERNMENT) ARE BOTH OUT OF COUNTRY. PAKISTAN HAS REQUESTED SECOND EXTENSION UNTIL SEPTEMBER 22, ABOUT WHICH IT HAS NOT HEARD. JAMALL SAID, HOWEVER, THAT FINANCE SECRETARY HAD ASSURED HIM THAT POLITICAL APPROVAL FOR THE PURCHASE HAD BEEN OBTAINED AND THAT THERE WOULD BE NO PROBLEM IN CONSUMMATING DEAL IF EXTENSION TO SEPTEMBER 22 APPROVED BY AIRBUS INDUSTRIE.

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2. FROM WHAT JAMALL TOLD US, IT IS APPARENT THAT BOEING'S ONLY HOPE IF REJECTION SECOND EXTENSION OF AIRBUS OPTION. BOEING'S LATE ENTRY TIED TO ANNOUNCEMENT OF INTENTION INTRODUCE 767 WHICH MADE 737 ATTRACTIVE AS INTERIM AIRCRAFT, WHICH COULD LATER BE TRANSFERRED TO OTHER USES(PERHAPS SUBSTITUTION FOR FOKKERS ON SHORT-RANGE DOMESTIC FLIGHTS). HOW THERE ISN'T TIME TO WORK

OUT DETAILS BEFORE EXPIRY OF AIRBUS OPTION(ASSUMING EXTENSION GRANTED) AND JAMALL THINKS THERE IS NO CHOICE FOR PIA BUT TO GO FORTH WITH VERY ATTRACTIVE AIRBUS OFFER WHILE IT CAN STILL OBTAIN EARLY DELIVERY AND BEFORE PRICE GOES UP.

3. JAMALL CONFIRMED THAT TERMS OFFERED ON AIRBUS WERE TWO PERCENT DOWN WITH INTEREST SUBSTANTIALLY UNDER LIBOR. HE SAID HE DIDN'T KNOW JUST HOW MUCH WITHOUT LOOKING IT UP.

4. CONGEN WILL CHECK WITH JAMALL BEFORE SEPTEMBER 22 TO FIND OUT IF OPTION WAS EXTENDED.

5. LATER EITHER BOEING OR MCDONNELL DOUGLAS COULD CAPTURE REPLACEMENT MARKET FOR FOKKERS.
MOORE

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